



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GRANT COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GRANT COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

This Executive Summary provides an overview of Grant County Fiscal Court's financial activities for the fiscal year ended June 30, 2001. This summary should be read in conjunction with the County's financial statements that follow.

The Auditor of Public Accounts has completed the Grant County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Highlights:

The County's cash balance as of June 30, 2001 was \$4,783,278, which represents a \$692,888 increase over the cash balance as of June 30, 2000.

Operating revenue increased by \$3,158,356 over the prior year and budgeted expenditures increased by \$2,096,329 during the same period.

Debt Obligations:

Total bonded debt principal as of June 30, 2001, was \$8,325,000. Future collections of \$7,130,828 are needed over the next twenty-three years to pay all bonded debt principal.

Capital lease principal agreements totaled \$2,945,000 as of June 30, 2001. Future principal payments of \$2,945,000 are needed to meet these obligations.

Report Comments:

- Bank Accounts Should Be Reconciled On A Monthly Basis
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Darrell Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Grant County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Grant County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Grant County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Grant County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Darrell Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2002 on our consideration of Grant County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Grant County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- Bank Accounts Should Be Reconciled On A Monthly Basis
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 24, 2002

GRANT COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Darrell L. Link	County Judge/Executive
Patricia Conrad	Magistrate
Kenneth Messer	Magistrate
Richard Austin	Magistrate

Other Elected Officials:

James Purcell	County Attorney
Gary L. Jump	Jailer
Judith Fortner	County Clerk
Shirley Wilson	Circuit Court Clerk
Randall Middleton	Sheriff
Phyllis Beach	Property Valuation Administrator
Marylee Willoby	Coroner

Appointed Personnel:

Roger L. Wagoner	County Treasurer
Evalene Davis	Deputy County Judge/Executive
Connie McClure	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

GRANT COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$	3,391,890
Road and Bridge Fund:		
Cash		60,582
Jail Fund:		
Cash		126,605
Local Government Economic Assistance Fund:		
Cash		9,161
Forestry Fund:		
Cash		869
Payroll Revolving Account - Cash	<u>112,123</u>	\$ 3,701,230

Debt Service Fund Type

Public Properties Corporation Fund:	
Sinking Funds - Cash	1,194,172

Other Resources

General Fund Type

General Fund:	
Amounts to be Provided in Future Years for Capital	
Lease Obligations - Principal Payments	2,945,000

Debt Service Fund Type

Public Properties Corporation Fund:	
Amounts to be Provided in Future Years for Bond	
Principal Payments	<u>7,130,828</u>
Total Assets and Other Resources	<u>\$ 14,971,230</u>

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Capital Lease Obligations - Principal Payments (Note 5)	\$ 2,945,000	
Payroll Revolving Account	<u>112,123</u>	\$ 3,057,123

Debt Service Fund Type

Public Properties Corporation Fund:

Bonds Not Matured (Note 4)		8,325,000
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Fund Balances

Unreserved:

General Fund Type

General Fund	\$ 3,391,890	
Road and Bridge Fund	60,582	
Jail Fund	126,605	
Local Government Economic Assistance Fund	9,161	
Forestry Fund	<u>869</u>	<u>3,589,107</u>
Total Liabilities and Fund Balances		<u>\$ 14,971,230</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

GRANT COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 8,148,883	\$ 5,517,285	\$ 1,133,418	\$ 1,394,760
Transfers In	750,320		300,000	375,000
Kentucky Advance Revenue Program	2,477,300	2,477,300		
Total Cash Receipts	<u>\$ 11,376,503</u>	<u>\$ 7,994,585</u>	<u>\$ 1,433,418</u>	<u>\$ 1,769,760</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 6,284,547	\$ 3,134,987	\$ 1,500,493	\$ 1,620,367
Schedule of Public Properties				
Corporation Expenditures	458,448			
Transfers Out	750,320	677,500		72,820
Bonds:				
Principal Paid	205,000			
Interest Paid	397,999			
Capital Leases - Principal:				
Corinth Water District	34,000	34,000		
Bullock Pen - Phase III	42,000	42,000		
Health Department	22,000	22,000		
Bullock Pen - Phase IV	12,000	12,000		
Kentucky Advance Revenue Program Repaid	2,477,300	2,477,300		
Total Cash Disbursements	<u>\$ 10,683,614</u>	<u>\$ 6,399,787</u>	<u>\$ 1,500,493</u>	<u>\$ 1,693,187</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 692,889	\$ 1,594,798	\$ (67,075)	\$ 76,573
Cash Balance - July 1, 2000	<u>4,090,390</u>	<u>1,797,092</u>	<u>127,657</u>	<u>50,032</u>
Cash Balance - June 30, 2001	<u>\$ 4,783,279</u>	<u>\$ 3,391,890</u>	<u>\$ 60,582</u>	<u>\$ 126,605</u>

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2001
(Continued)

General Fund Type		Debt Service Fund Type	
Local Government Economic Assistance Fund	Forestry Fund	Public Properties Corporation Fund	
\$ 26,454	\$ 1,520	\$ 75,446	
2,500		72,820	
<u>\$ 28,954</u>	<u>\$ 1,520</u>	<u>\$ 148,266</u>	
\$ 27,350	\$ 1,350	\$	
			458,448
			205,000
			397,999
<u>\$ 27,350</u>	<u>\$ 1,350</u>	<u>\$ 1,061,447</u>	
\$ 1,604	\$ 170	\$ (913,181)	
7,557	699	2,107,353	
<u>\$ 9,161</u>	<u>\$ 869</u>	<u>\$ 1,194,172</u>	

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Grant County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Grant County Public Properties Corporation Fund as part of the reporting entity.

The Grant County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Grant County Fiscal Court is financially accountable for the component unit; therefore, management must include the component unit as part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

Additional - Grant County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Grant County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Grant County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Grant County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and Forestry Fund.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Grant County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of June 30, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$219,660 of public funds uninsured and unsecured.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2001.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's agent in the county's name	\$ 4,101,024
Uncollateralized and uninsured	<u>219,660</u>
Total	<u><u>\$ 4,320,684</u></u>

Note 4. Long-Term Debt

Bonds outstanding of the Grant County Public Properties Corporation Fund are:

- A. The Grant County Public Properties Corporation issued \$910,000, First Mortgage Revenue Bonds dated August 1995, for the construction of a jail. Principal payments are due each year on July 1. Interest on the bonds is payable each July 1 and January 1, and began on January 1, 1996. The Public Properties Corporation holds a \$91,000 certificate of deposit at Eagle Bank. The semi-annual interest earned on the certificate of deposit is applied toward the debt service amount due. The principal balance outstanding for the bond issue as of fiscal year ended June 30, 2001 was \$720,000.

Debt Service Schedule

Fiscal Year Due	Interest Rate	Scheduled Interest	Principal Amount
2001-02	5.10%	\$ 42,358	\$ 35,000
2002-03	5.20%	40,425	40,000
2003-04	5.30%	38,325	40,000
2004-05	5.40%	36,185	40,000
2005-06	5.50%	33,868	45,000
2006-14	5.70-6.00%	159,135	<u>555,000</u>
Total Principal			\$ 755,000
Less: Principal Due July 2001, Paid June 2001			<u>35,000</u>
Total Principal Outstanding			<u><u>\$ 720,000</u></u>

GRANT COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 4. Long-Term Debt (Continued)

- B. The Grant County Public Properties Corporation issued \$7,775,000, First Mortgage Revenue Bonds dated August 1998, for the construction of a jail addition. Principal payments are due each year on July 1, in the amounts indicated below starting July 1, 2000. Interest on the bonds is payable each July 1 and January 1, beginning January 1, 1999. The principal balance outstanding for this bond issue as of fiscal year ended June 30, 2001, was \$7,605,000.

Debt Service Schedule

<u>Fiscal Year Due</u>	<u>Interest Rate</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2001-02	4.60%	\$ 352,129	\$ 180,000
2002-03	4.60%	343,734	185,000
2003-04	4.60%	334,994	195,000
2004-05	4.60%	325,909	200,000
2005-06	4.60%	316,479	200,000
2006-24	4.60-4.70%	3,425,969	6,645,000
Total Principal Outstanding			<u>\$ 7,605,000</u>

The total bond principal outstanding for the Public Properties Corporation Fund, shown in the debt service schedules above, as of June 30, 2001, is \$8,325,000.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 5. Capital Lease-Purchase Agreements

The county has entered into the following capital lease-purchase agreements:

- A. Grant County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the construction of rural waterlines by the Corinth Water District. A total of \$1,245,000 was awarded to Grant County on March 31, 1994. The agreement calls for Grant County to make variable annual payments for twenty-five years beginning January 1995, and ending January 2019, with the option to renew the lease each year. Interest is paid monthly at an effective rate of 5.37 percent. The outstanding principal balance as of June 30, 2001, was \$1,043,000.

<u>Fiscal Year Due</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2001-02	\$ 65,749	\$ 35,000
2002-03	63,458	37,000
2003-04	61,040	39,000
2004-05	58,466	42,000
2005-06	55,728	44,000
2006-19	396,159	846,000
Total Principal Outstanding		<u>\$ 1,043,000</u>

- B. Grant County entered into a lease agreement with KACoLT for the construction of waterlines for the Bullock Pen – Phase III Water Expansion Project. A total of \$1,500,000 was awarded to Grant County during fiscal year ended June 30, 1996. The agreement calls for Grant County to make annual payments beginning September 1995, and ending February 2019. Interest is paid monthly at an effective rate of 5.45 percent. The outstanding principal balance as of June 30, 2001, was \$1,310,000.

<u>Fiscal Year Due</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2001-02	\$ 83,594	\$ 45,000
2002-03	80,627	47,000
2003-04	77,503	50,000
2004-05	74,212	52,000
2005-06	70,765	55,000
2006-19	503,262	1,061,000
Total Principal Outstanding		<u>\$ 1,310,000</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 5. Capital Lease-Purchase Agreements (Continued)

- C. Grant County entered into a lease agreement with KACoLT for the expansion of Health Department facilities. A total of \$400,000 was awarded to Grant County. The agreement calls for Grant County to make variable annual payments for fifteen years beginning June 1996, and ending February 2011. Interest is paid monthly at an effective rate of 5.35 percent. The outstanding principal balance as of June 30, 2001, was \$300,000.

<u>Fiscal Year Due</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2001-02	\$ 18,484	\$ 24,000
2002-03	16,928	25,000
2003-04	15,308	26,000
2004-05	13,624	27,000
2005-06	11,850	29,000
2006-11	29,039	<u>169,000</u>
Total Principal Outstanding		<u>\$ 300,000</u>

- D. Grant County entered into a lease agreement with KACoLT for the construction of waterlines for the Bullock Pen Water Expansion Project - Phase IV. A total of \$336,000 was awarded to Grant County. The agreement calls for Grant County to make annual payments beginning October 1996, and ending February 2016. Interest is paid monthly at an effective rate of 5.13 percent. The outstanding principal balance as of June 30, 2001, was \$292,000.

<u>Fiscal Year Due</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2001-02	\$ 17,575	\$ 12,000
2002-03	16,815	13,000
2003-04	15,993	14,000
2004-05	15,111	15,000
2005-06	14,167	16,000
2006-16	78,232	<u>222,000</u>
Total Principal Outstanding		<u>\$ 292,000</u>

The total principal outstanding as of June 30, 2001 for the four capital leases listed above is \$2,945,000.

The capital leases listed above were subsequently sub-leased to each applicable district. The districts make monthly payments to the county for the debt service requirements in accordance with the sub-lease agreements.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 6. Insurance

For the fiscal year ended June 30, 2001, Grant County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Grant County Jail Canteen Fund received \$63,770, and expended \$51,125. The balance of the Grant County Jail Canteen Fund as of June 30, 2001, was \$81,346. All profit expenditures were for the benefit and/or recreation of the inmates.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

GRANT COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 5,048,858	\$ 5,517,285	\$ 468,427
Road and Bridge Fund	1,079,231	1,133,418	54,187
Jail Fund	2,189,266	1,394,760	(794,506)
Local Government Economic Assistance Fund	27,350	26,454	(896)
Forestry Fund	1,470	1,520	50
Totals	<u>\$ 8,346,175</u>	<u>\$ 8,073,437</u>	<u>\$ (272,738)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 8,346,175
Add: Budgeted Prior Year Surplus	3,752,908
Less: Other Financing Uses	<u>(3,201,819)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 8,897,264</u>

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SCHEDULE OF OPERATING REVENUE

GRANT COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Revenue Categories</u>	<u>GOVERNMENTAL FUND TYPES</u>		
	Totals (Memorandum Only)	General Fund Type	Debt Service Fund Type
Taxes	\$ 1,686,586	\$ 1,686,586	\$
In Lieu Tax Payments			
Excess Fees	101,157	101,157	
Licenses and Permits	125,860	125,860	
Intergovernmental Revenues	4,547,504	4,547,504	
Charges for Services	116,207	116,207	
Miscellaneous Revenues	1,232,168	1,232,168	
Interest Earned	339,401	263,955	75,446
Total Operating Revenue	<u>\$ 8,148,883</u>	<u>\$ 8,073,437</u>	<u>\$ 75,446</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

GRANT COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,726,088	\$ 1,471,485	\$ 254,603
Protection to Persons and Property	1,903,990	1,679,086	224,904
General Health and Sanitation	657,871	307,014	350,857
Social Services	24,366	17,976	6,390
Recreation and Culture	232,766	210,623	22,143
Roads	1,524,100	1,463,296	60,804
Other Transportation Facilities and Services	6,000	6,000	
Debt Service	238,062	218,226	19,836
Capital Projects	1,110,000	269,531	840,469
Administration	1,474,021	641,310	832,711
 Total Operating Budget - All General Fund Types	 \$ 8,897,264	 \$ 6,284,547	 \$ 2,612,717
 Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund-			
Principal	215,000	35,000	180,000
Interest	399,519	37,820	361,699
Borrowed Money-			
Kentucky Advanced Revenue			
Program - Principal	2,477,300	2,477,300	
Capital Lease Agreements-			
Principal	110,000	110,000	
 TOTAL BUDGET - ALL GENERAL FUND TYPES	 \$ 12,099,083	 \$ 8,944,667	 \$ 3,154,416

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SCHEDULE OF PUBLIC PROPERTIES CORPORATION FUND EXPENDITURES

GRANT COUNTY
SCHEDULE OF PUBLIC PROPERTIES CORPORATION FUND EXPENDITURES

Fiscal Year Ended June 30, 2001

	<u>DEBT SERVICE FUND TYPE</u>
<u>Expenditure Items</u>	<u>Public Properties Corporation Fund</u>
Construction Expenditures	\$ 458,154
Treasurer's Bond	290
Filing Fee	<u>4</u>
Total	<u><u>\$ 458,448</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Darrell Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Grant County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated June 24, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Grant County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Grant County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- Bank Accounts Should Be Reconciled On A Monthly Basis

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 24, 2002

COMMENTS AND RECOMMENDATIONS

GRANT COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2001

REPORTABLE CONDITIONS

Bank Accounts Should Be Reconciled On A Monthly Basis

The payroll revolving account was not reconciled on a monthly basis. According to the accounting and documenting provisions set out in regulations promulgated pursuant to KRS 68.210, official bank accounts should be reconciled monthly. We recommend the County Judge/Executive require monthly bank reconciliations for all official bank accounts of the county.

County Judge/Executive Darrell Link's Response:

Measures shall be taken to complete timely reconciliations for all county accounts.

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On June 30, 2001, \$219,660 of the county's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Judge/Executive Darrell Link's Response:

Sufficient pledges shall be maintained as requested.

PRIOR YEAR FINDINGS

Bank Accounts Should Be Reconciled On A Monthly Basis

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

GRANT COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

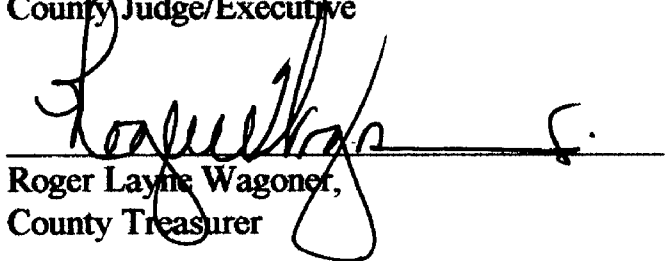
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
GRANT COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Grant County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Darrell L. Link,
County Judge/Executive



Roger Layne Wagoner,
County Treasurer